THIRTY-FORTH REPORT

STANDING COMMITTEE ON PETROLEUM & CHEMICALS (2002)

(THIRTEENTH LOK SABHA)

MINISTRY OF CHEMICALS & FERTILISERS (DEPARTMENT OF FERTILISERS)

DEMANDS FOR GRANTS (2002-2003)

[Action Taken by the Government on the recommendations contained in the Twenty-Sixth Report (Thirteenth Lok Sabha) of the Standing Committee on Petroleum and Chemicals (2002) on Demands for Grants of Deptt. of Fertilisers for the year 2002-2003]

Presented to Lok Sabha on 20.12.2002

Laid in Rajya Sabha on 20.12.2002

LOK SABHA SECRETARIAT
NEW DELHI

December, 2002/*Agrahayana,* 1924 *(Saka)*

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COMPOSITION OF THE STANDING COMMITTEE ON PETROLEUM AND CHEMICALS (2002)

Shri Mulayam Singh Yadav *Chairman*

MEMBERS

Lok Sabha

2. Shri Ashok Argal
3. Dr. Chellamella Suguna Kumari
4. Shri Ram Chander Bainda
5. Shri Ananda Mohan Biswas
6. Shri Padam Sen Choudhry
7. Prof. Kailasho Devi
8. Shri P.D. Elangovan
9. Shri Dilipkumar Mansukhlal Gandhi
10. Smt. Sheela Gautam
11. Shri Paban Singh Ghatowar
12. Shri Bijoy Handique
13. Shri Shriprakash Jaiswal
14. Shri C. Kuppusami
15. Shri Jagannath Mallick
16. Shri Punnulal Mohale
17. Shri P. Mohan
18. Shri Ashok N. Mohol
19. Dr. Debendra Pradhan
20. Shri Ram Sajivan
21. Shri Mohan Rawale
22. Shri Shyama Charan Shukla
23. Dr. V. Saroja
24. Dr. Chhattrapal Singh
25. Shri Prabhunath Singh
26. Shri Ramjiwan Singh
27. Dr. Ram Lakhan Singh
28. Shri Shankersinh Vaghela
29. Shri Ratilal Kalidas Varma
30. Dr. Girija Vyas

Rajya Sabha

31. Shri Balkavi Bairagi
***32. Shri Ram Nath Kovind
33. Shri Anil Kumar
****34. Vacant
35. Shri Rajiv Ranjan Singh 'Lalan'
36. Shri Mool Chand Meena
37. Shri Dipankar Mukherjee
**38. Shri Pritish Nandy
39. Shri Ahmed Patel
***40. Shri Keshubhai Savdasbhai Patel
41. Shri Yadlapati Venkat Rao
42. Ms. Mabel Rebello
43. Shri Gaya Singh
*44. Shri Thanga Tamilselvan
45. Prof. Ram Gopal Yadav

SECRETARIAT

1. Shri P.D.T. Achary	*Additional Secretary*
2. Shri K.V. Rao	*Joint Secretary*
3. Shri P.K. Grover	*Director*
4. Shri R.K. Saxena	*Under Secretary*
5. Shri A.K. Shah	*Committee Officer*

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* Nominated *w.e.f.* 8th April, 2002.

** Nominated *w.e.f.* 8th May, 2002.

*** Nominated *w.e.f.* 14th May, 2002.

**** Vacancy caused consequent upon retirement of Shri Shyam Lal, MP (RS) from the membership of Rajya Sabha *w.e.f.* 25.11.2002.

COMPOSITION OF SUB-COMMITTEE ON FERTILISERS

A SUB-COMMITTEE OF THE STANDING COMMITTEE ON PETROLEUM & CHEMICALS (2002)

Shri Mulayam Singh Yadav — *Chairman*

MEMBERS

Lok Sabha

2. Dr. Debendra Pradhan—*Convenor*

Shri Ram Chander Bainda

4. Shri Ananda Mohan Biswas

5. Shri Balkavi Bairagi

6. Shri Padam Sen Choudhry

7. Prof. Kailasho Devi

Shri Dilipkumar Mansukhlal Gandhi

*9. Vacant

10. Shri Jagannath Mallick

11. Shri Punnulal Mohale

12. Shri Keshubhai Savdasbhai Patel

13. Ms. Mabel Rebello

14. Dr. Chhattrapal Singh

15. Shri Thanga Tamilselvan

Vacancy caused consequent upon retirement of Shri Shyam Lal, MP (RS) from the membership of Rajya Sabha *w.e.f.* 25.11.2002.

INTRODUCTION

I, the Chairman, Standing Committee on Petroleum & Chemicals (2002) having been authorised by the Committee to submit the Report on their behalf present this Thirty-Fourth Report on Action Taken by Government on the recommendations contained in Twenty-Sixth Report (Thirteenth Lok Sabha) of the Standing Committee on Petroleum & Chemicals (2002) on 'Demands for Grants of Ministry of Chemicals & Fertilisers, Department of Fertilisers for the year 2002-2003'.

2. The Twenty-Sixth Report of the Committee was presented to Lok Sabha on 23rd April, 2002. The Replies of Government to all the recommendations contained in the Twenty-Sixth Report were received on 23rd July, 2002. The Sub-Committee on Fertilisers considered the Action Taken Replies received from the Government and adopted the Report at their sitting held on 18th October, 2002.

3. The Standing Committee on Petroleum & Chemicals (2002) considered and adopted this Report at their sitting held on 19th December, 2002. The Committee place on record their appreciation of the work done by the Sub-Committee on Chemicals & Petrochemicals.

4. An analysis of the Action Taken by the Government on the recommendations contained in the Twenty-Sixth Report (Thirteenth Lok Sabha) of the Committee is given in Appendix-III.

5. For facility of reference and convenience, the observations and recommendations of the Committee have been printed in bold letters in the body of the Report.

6. The Committee place on record their appreciation for the valuable assistance rendered to them by the officials of the Lok Sabha Secretariat attached to the Committee.

NEW DELHI;
19, *December*, 2002
28 *Agrahayana*, 1924 *(Saka)*

MULAYAM SINGH YADAV
Chairman
Standing Committee on
Petroleum & Chemicals.

CHAPTER – I

REPORT

This Report of the Committee deals with the action taken by the Government on the recommendations contained in the Twenty-Sixth Report (Thirteenth Lok Sabha) of the Standing Committee on Petroleum & Chemicals (2002) on 'Demands for Grants of Ministry of Chemicals & Fertilisers, Department of Fertilisers for the year 2002-2003 which was presented to Lok Sabha on 23rd April, 2002'.

2. Action taken notes have been received from the Government in respect of all the 28 recommendations/conclusions contained in the Report. These have been categorised as follows:-

(i) Recommendations/conclusions that have been accepted by the Government:-
Sl. Nos. 2, 6, 8, 10, 11, 17, 20, 21, 22 and 24.

(ii) Recommendations/conclusions which the Committee do not desire to pursue in view of the Government's replies:
Sl. Nos. 3, 4, 14, 15 and 16.

(iii) Recommendations/conclusions in respect of which replies of the Government have not been accepted by the Committee.
Sl. Nos. 1, 9, 12, 13, 26 and 28.

(iv) Recommendations/ observations in respect of which final replies of the Government are still awaited:
Sl. Nos. 5, 7, 18, 19, 23, 25 and 27.

3. The Committee desire that the final replies in respect of the recommendations for which only interim replies have been furnished by the Government and the recommendations which have been commented upon by the Committee in Chapter-I should be furnished expeditiously.

4. The Twenty-Sixth Report (13th Lok Sabha) deals with examination of Demand for Grants of Ministry of Chemicals & Fertilisers, Department of Fertilisers for the year 2002-2003. Some of the important recommendations incorporated in the Report of the Committee were:-

(i) Setting up monitoring and evaluation cell for review of Plan performance.

(ii) Achievement of production targets.

(iii) Inclusion of left over schemes of 9th Plan in 10th Five Year Plan.

(iv) Enhancing capacity utilisation of urea plants instead of resorting to import of urea.

(v) Finalisation of Long Term Policy on Fertilisers.

(vi) Introduction of subsidy on Bio-fertilisers.

(vii) Revival of sick fertiliser units especially in Eastern region of the country.

5. The Committee will now deal with the action taken by the Government on some of their recommendations and make suggestions thereupon.

A. Setting up of monitoring cell for review of Plan Performance

(Recommendations Sl. No. 1, Para Nos. 16 & 17)

6. The Committee had found that out of total 9th Plan (1997-2002) Outlay of Rs. 11013 crore the utilisation thereof was a meagre Rs. 3549.04 crore. The Committee had been apprised that Planned targets were revised periodically by DOF considering the actual growth and development in the sector but even then the revised targets were not achieved. The Committee had recommended that Department should set up a monitoring and evaluation cell to conduct a comprehensive review of Plan performance as per the guidelines of the Planning Commission.

7. In their reply the Government have stated:-

> "The total actual utilisation of the 9th Plan Outlay amounted to Rs. 3724.71 crore at the end of the plan period against the total revised outlay of Rs. 5145.70 crore. The utilisation of plan funds anticipated by the end of 2001-02 mainly on the proposed Indo-Oman Project did not materialise, as financial close of the joint venture project expected by end of March, 2002 could not be achieved. The progress of utilisation of plan outlay during the 10th Plan period is being monitored by the Department periodically and evaluated in the quarterly review meetings of the respective PSUs and cooperative societies held from time to time."

8. The Committee find from the reply that by the end of the 9th Plan (1997-2002) although the level of utilisation of plan outlay has slightly risen from Rs. 3549.04 crore to Rs. 3724.71 crore yet it is less as compared to total revised outlay of Rs. 5145.70 crore. The DOF has informed that utilisation of funds could not be achieved as anticipated owing to non-materialisation of Indo-Oman Project by March, 2002. The Committee were convinced that utilisation of planned funds is not satisfactory and had, therefore, recommended creation of a monitoring cell in the Department to monitor planned expenditure regularly and take effective measures to ensure utilisation of planned budget. The Committee do not share the perception of DOF that progress of utilisation of plan funds is being monitored by it periodically and evaluated on quarterly basis which is an administrative exercise. The Committee, therefore, once again reiterate that there is still a need for setting up a Monitoring Cell in the DOF for this purpose.

B. <u>Need for correcting N:P:K ratio</u>

(Recommendation Sl. No. 9, Para No. 42)

9. The Committee had found that as against the revised estimate of Rs. 4515 crore for 2001-02 a provision of Rs. 4224 crore had been given for 2002-03 for payment of concession for indigenous as well as imported decontrolled fertilisers

following increase in per tonne price of DAP, MOP and SSP fertilisers. The Committee had felt that rise in prices would further worsen the already distorted N:P:K ratio (6.9:2:1) in soil as against the required ratio of 4:2:1. The Committee had, therefore, recommended all out efforts for promotion of fertilisers rather than resorting to price hike of P&K fertilisers.

10. In their reply the Government have stated:-

> "The decision for increase in prices of decontrolled phosphatic and potassic (P&K) fertilizers has been taken by Government of India for correcting fiscal imbalance through overall reduction in Government subsidy outgo. The consumption trends of fertilizers in the country, depends to a large extent on the weather conditions specially the timely onset of monsoon, extent and distribution of rainfall, cropping pattern as various crops have different nutrient requirement and fertility status of the soils. In view of this, the nutrient ratio in the recommended doses varies from region to region. The NPK consumption ratio, which was 5.9:2.4:1 during 1991-92, got distorted to 9.5:3.2:1 due to steep increase in prices of P&K fertilisers after decontrol of phosphatic and potassic fertilizers and simultaneous decrease in the price of urea during the year 1992. However, due to various steps taken by Government to promote balanced use of fertilisers including price support to decontrolled fertilisers like P&K, the NPK consumption ratio has been narrowing down over the years and came down to estimated 6.4:2.6:1 during 2001-02. Therefore, it seems too early to deduce that increase in price of decontrolled P&K fertilizers would inevitably have percepitble adverse impact on NPK ratio.
>
> It may further be supplemented that having realised the importance of balanced and integrated use of nutrients for sustainable agriculture, the Government of India has adopted policy measures and schemes, which ensure adequate availability of quality fertilisers at reasonable prices to farmers, soil test based judicious and balanced use of chemical fertilisers and micro nutrients, organic manures and bio-fertilisers. Further recognizing the importance of nutrient sources other than chemical fertilisers, the Government through various schemes is promoting production and use of organic manures like Farm Yard Manure (FYM), rural and urban waste compost. Green manuring and bio-fertilisers, not only to provide the nutrients but also to provide soil organic matter and improve soil health and soil productivity. A new scheme for promoting use of organic manure and organic farming has been formulated during 10th Five Year Plan. This scheme lays special emphasis on augmenting the production of all types of organic manures including vermicompost, press mud, bio-fertilisers and its extension, promotion and uses."

11. The Committee find that although the Government have detailed various on-going schemes for correcting N:P:K ratio as also scheme proposed for 10th Plan yet as per Government's estimates the N:P:K ratio of 5.9:2.4:1 prior to decontrol in 1992 has not been achieved as on today. The Committee find the ratio is still 6.4:2.6:1 during 2001-2002. The Committee feel that all this does not augur well with implementation process. In this connection the Government has elaborated variety of reasons responsible for consumption trends of fertilisers ranging from weather conditions to cropping pattern of different crops leading to different NPK ratio for different regions based on nutrient requirement of soil. The Committee, therefore, feel that reply of Government itself is sufficient enough to help Government by promoting fertiliser on region-wise basis for correcting imbalance in the specified region's NPK ratio. The Committee once again recommend that promotion of fertilisers be done based on nutrient deficiency level of soil on region-wise basis.

C. Need for enhancing domestic production of Urea

(Recommendation Sl. No. 12, Para No. 56)

12. The Committee had found that Rs. 948 crore has been earmarked for import of urea for 2002-2003. For this the Committee had observed that before resorting to import, indigenous capacity of urea be fully utilised.

13. In their reply the Government have stated as under:-

> "The country's installed capacity of 208.5 lakh MT of urea has since been revised to 210.82 lakh MT for the year 2002-03. Inspite of upward revision of installed capacity, the production of urea during 2002-03 is estimated to be around 200 lakh MT (97 lakh MT in Kharif and 103.20 lakh MT in Rabi 2002-03) mainly on account of shortfall in production from many urea units like Namrup unit of Hindustan Fertilizers Corporation (HFC), Sindri unit of Fertilisers Corporation of India (FCI), Duncan

Industries Limited (DIL) and Neyveli Lignite Corporation (NLC). This shortfall is due to equipment related problems and shortage of gas.

The position of demand and production of urea in the country during 2002-03 is being closely monitored by this Department. Import of urea would be resorted to depending on the estimated indigenous production and projected sales and only after utilising the indigenous production capacity of urea units."

14. The Committee find from the reply of the Government that as against the installed capacity of urea of 210 lakh tonnes during 2002-03 the available production is only 200 lakh tonnes. This is due to reported less production from urea units of HFC, Namrup, FCI (Sindri), Duncan Industries Ltd. (Kanpur) and Neyveli Lignite Corporation (NLC) for equipment related problem and shortage of gas. The Committee apprehend that Governent may again resort to import under the pretext of reported less production in these units. The Committee still feel that there is scope for enhancing the indigenous production by immediate tackling the problem being faced by the Urea Units.

D. Study Group for identifying losses of urea units

(Recommendation Sl. No. 13, Para No. 66)

15. The Committee had found that urea manufacturing units were not getting assured return with the result that they have started incurring losses. The Committee had, therefore, desired the Department to identify the reasons for their losses and ensure that these are not due to faulty implementation of retention price-cum-subsidy scheme. For this purpose, the Committee had recommended that the Department should constitute a Study Group comprising representatives from urea manufacturers and Department of Fertilizers.

16. In their reply the Government informed as under:-

> "Retention prices (normative cost of production plus 12% post tax return on net worth) of urea for pricing period under Retention Price Scheme (RPS) units are determined on the basis of approved parameters. Some units may not be able to make profits intended under the scheme if they do not operate within the norms prescribed. Other important factor for erosion in profitability of urea units is levy of non-recoverable taxes (the taxes which are not passed on to the consumers) on urea and inputs used in the manufacture of urea. Government of India does not recognize the non-recoverable taxes as it would encourage the State Governments to levy more such taxes at the expense of the Central Government. However, Department of Fertilizer is examining a proposal for finding ways and means to compensate the urea manufacturers for the losses suffered by them on account of non-recoverable taxes. One more reason eating into profits of urea companies is the internecine practices of unduly high discounts being offered by urea companies to dealers and farmers."

17. The Committee are happy to note that DOF is examining the proposal for finding ways and means to compensate the urea manufacturers for losses suffered by them on account of non-recoverable taxes. The Committee feel that is not the only reason for erosion of profitability of urea units. The Committee would like to have comprehensive view of the problem and therefore, reiterate that Study Group comprising of representatives of Urea units and DOF be constituted to look into their various factors responsible for detoriating networth of these units.

E. <u>Early finalisation of Long Term Fertiliser Policy</u>

(Recommendation Sl. No. 19, Para No. 91)

18. The Committee were dismayed over non-finalisation of long term Fertiliser Policy by DOF which has been shying away investment in Fertiliser Sector. The Committee also found that the Draft Policy has been under discussion at various levels and Government was taking approval of competent authority on the issue of pricing of urea and feedstock availability. The Committee had observed that

issue of pricing has been unduly delayed. The Committee, therefore, recommended early clearance of Draft Policy based on GOM's recommendation.

19. In their reply Government has stated:-

> "Policy parameters for 7th and 8th pricing periods, formulated on the basis of recommendations of Group of Ministers (GOM), have already been approved by the competent authority on 16.5.2002. The 7th pricing period will cover the period from 1.7.1997 to 31.3.2000 whereas the 8th pricing period will cover the period from 1.4.2000 to 31.3.2003 or till new pricing policy comes into existence, whichever is earlier.
>
> The issue of formulation of new pricing policy for urea units keeping in view the recommendations of Expenditure Reforms Commission for replacing the existing Retention Price Scheme is at present under consideration of GOM. Further action for obtaining the approval of competent authority would be taken after GOM finalizes its recommendation on new pricing policy for urea units."

20. The Committee are glad to note that Government have approved Policy parameters for 7th and 8th Pricing period for urea units. The Committee hope that the Government would be able to bring out a new pricing policy based on the recommendation of Expenditure Reform Commission and those of GOM.

F. Revival of sick PSUs of HFC/FCI located in Eastern Region

(Recommendation Sl. No. 25, Para No. 123)

21. The Committee had found that as against last year's amount of Rs. 360 crore for non-Plan loans to PSUs, Rs. 250 crore had been provided for 2002-03 for meeting the salaries requirements of FCI, HFC, PPCL and PDIL pending their revival. Production in various sick units of PSUs had been discontinued for a variety of reasons. The DOF had informed the Committee last year that revival

packages for these four PSUs had been finalised and were under submission to BIFR. The Committee had been further informed that these proposals were considered by the Government on 31.5.2001 and Group of Ministers had been constituted to examine these proposals and was to submit its report within two months. GOM had held three sittings on 6.9.2001, 21.11.2001 and 6.3.2002 and had sought some additional information. Thus no final decision in the matter had been taken. In this connection Secretary (Fertilisers) had informed the Committee that directions from BIFR were for early decision about their fate that is closure of these units. The Committee were in favour of making these PSUs economically viable and wanted the Government to make concerted efforts in this direction. The Committee were not in favour of closing down these units as there was no Public Sector or Private Sector urea producing unit in West Bengal, Jharkhand, Bihar and Orissa. In the event of closure of these units, urea availability in these areas would be Nil with the result that farmers would have to depend upon the supply of urea from other zones say North-Eastern or Western zone which would entail avoidable transport cost. The Committee found that the Government were contemplating the withdrawal of ECA allocation system and in that eventuality timely availability of urea cannot be ensured. Apart from this factor, the Committee had stressed the need for providing more and more industries in Eastern zone as this area needed economic development. The Committee, therefore, were strongly in favour of not only reviving these units which would serve twin purpose, one of assuring timely availability of urea and second of industrialisation which means employment.

22. The Government in their reply have informed:-

> "The rehabilitation/restructuring proposals of the sick fertilizer PSUs, viz. HFC, FCI, PDIL and PPCL, based on unit-wise techno-economic viability, are under examination by the Group of Ministers (GOM) specifically constituted for the purpose. The GOM has held its three meetings on 6.9.2001, 21.11.2002 and 6.3.2002 and the next meeting is expected to be held shortly. The revival of these PSUs will depend on the decision of the competent authority based on the recommendations of the GOM."

23. In this connection the DOF has also furnished (September, 2002) separately the following information as under:-

> "Hindustan Fertiliser Corporation Ltd. (HFC), Fertilizer Corporation of India Ltd. (FCI), Pyrites, Phosphates & Chemicals Ltd. (PPCL) and Projects and Development India Ltd. (PDIL) are the four Public Sector Undertakings (PSUs) under the administrative control of this Department declared sick by the Board for Industrial and Financial Reconstruction (BIFR). The rehabilitation proposals of these PSUs were considered by the Cabinet on 31.5.2001 and it was decided to set up a Group of Ministers (GOM) to examine these proposals and submit its recommendations. Based on the recommendations of the GOM in respect of some of the units of HFC, FCI and PPCL, Government has decided for closure of the following units of these PSUs:-
>
> (i) Closure/hive off of Haldia Fertilizer Project, FP&ARD and other support establishments, such as marketing/purchase/liaison divisions, etc. of HFC;
>
> (ii) Closure/hive off of Ramagundam, Talcher, Gorakhpur units, Korba Division of FCI;
>
> (iii) Closure/hive off of Dehradun and Saladipura units of PPCL including the closure of iron pyrites mines at Saladipura;
>
> The rehabilitation proposals in respect of PDIL and the remaining units of HFC, FCI and PPCL were again considered by the GOM on 27.8.2002 and its recommendations are under examination of the Government."

24. In the same context Secretary (Fertilisers) informed (11.09.2002) the Committee the latest position as under:-

> "The Government have already decided that the Hindustan Fertiliser Corporation and Fertiliser Corporation of India will be closed except the Jodhpur mining which is a small little outfit is under profit. These two companies own Gorakhpur, Ramagundam, Talcher, Sindri, Haldia, Durgapur and Barauni. Government have decided to close the companies itself which are running these units. That is what is mentioned here – FCI and HFC have been closed."

25. The Committee are very anguished to note that Government have finally decided to close all fertiliser plants of HFC and FCI except Jodhpur

mining. The Committee find that these closed plants are, HFC plants of Durgapur in West Bengal, Barauni in Jharkhand and Haldia in West Bengal and FCI plants of Sindri in Jharkhand, Gorakhpur in U.P., Ramagundam in Andhra Pradesh and Talcher in Orissa and these fall in eastern region of the country where there is already a need for industrialization. The Committee all along have been recommending to the Government to revive these plants economically. With this end in view, the Committee had even requested the Department of Fertilisers to apprise the Group of Ministers of their views in this regard. The objective of revival of these units is to achieve self-sufficiency and self-reliance in the vital area of fertiliser production. With this decision, there would be no urea producing units either in the Public or Private Sector in the eastern region of the country, thus creating a tremendous regional imbalance which is likely to affect urea availability in these States in the future de-administered scenario. The Committee still strongly feel that closure of HFC/FCI plants will not only render hundreds of employees jobless but also create imbalance of fertiliser production in this region as there is no other fertiliser plant in this region. The Committee, therefore, resolutely disapprove the Government's closure of these plants and recommend the immediate reversal of Government's decision in the national interest.

F. Need for restricting disinvestment of profit making fertiliser PSUs.

(Recommendation Sl. No. 26, Para No. 135)

26 The Committee had found that four PSUs viz. NFL, MFL, FACT and RCF were under Government's disinvestment agenda. The Committee had also observed that once Government equity in these PSUs is disinvested the utilisation of huge plan outlay for 10th Plan (2002-2007) would be purely on the lap of new management. For instance future of utilisation plan outlay of staggering Rs. 1900 crore for RCF and 400 crore for FACT etc would depend on

Government's decision of disinvestment. The Committee, therefore, had observed that they are not in favour of disinvestment of profit making PSUs and as such had suggested review of the disinvestment policy.

27 In their reply the Government has stated as under:-

> "The Disinvestment Commission has categorized the fertilizer PSUs as "non-core" and has recommended their disinvestment. Accordingly, part of Government's equity in these PSUs is being disinvested as per the Government's policy to bring down its equity in all non-strategic PSUs to 26% or lower."

28 The Committee are not satisfied with the reply of the Government stating that since fertiliser sector has been categorized as 'non-core' sector by the Disinvestment Commission, its disinvestment as recommended by the Commission, is being done as per the Government policy of bringing down its equity in all non-strategic PSUs to 26% or lower. The Committee observe that although fertiliser sector has been categorized as non-core sector yet a review of disinvestment in this sector is necessary, particularly in case of those PSUs which are profit making. The Committee feel that if these PSUs are disinvested, it would lead to a position where there would be no public sector in Fertilisers paving way for monopolistic evils in the industry. The Committee, therefore, reiterate their view that disinvestment of profit making fertiliser PSUs should not be done.

G. <u>Disinvestment in National Fertilisers Limited</u>

(Recommendation Sl. No. 28, Para No. 137)

29. The Committee had found that National Fertilisers Limited (NFL) had invested an amount of Rs. 135.13 crore to revamp its Nangal plant. NFL had 3 plants in Haryana and Punjab and was catering satisfactorily the urea needs of the peasantry in these areas. The Committee had found that the Company after revamping its Nangal Plant has become sound technically and economically and any talk of disinvestment in this Company would not only affect its working but

also have bearing on timely availability of urea in the northern parts of the country. The Committee had, therefore, recommended that instead of making disinvestment in NFL it should be merged or handed over to KRIBHCO on nomination basis. The Committee had further opined that by this action the Government's objective would be achieved and KRIBHCO's surplus cash resources would also be utilised.

30. In their reply, the Government have stated as under:-

> "The fertiliser PSUs have been categorised as non-core PSUs being disinvested as per Government's policy to bring down equity in all non-strategic PSUs to 26% or lower. In spite of disinvestment in these PSUs the Government is committed to timely supply of fertilisers to the farmers in all parts of the country. As per the laid down procedure expression of interest were invited through an open process. KRIBHCO did not express interest within the stipulated time."

31. The Committee feel that the Ministry has casually treated the recommendation of the Committee. The Committee are well aware of the categorisation of the fertiliser PSUs as non-core by the Disinvestment Commission and also the policy of the Government to bring down equity in all non-strategic PSUs to 26% or lower. Keeping these facts in view the Committee had recommended that instead of making disinvestment in National Fertilisers Limited, it should be merged or handed over to KRIBHCO on nomination basis. The Committee feel that without analysing the thrust of this part of the recommendation the Ministry has merely responded that the KRIBHCO did not express interest within the stipulated time. The Committee would like to point out that expression of interests in disinvestment in National Fertilisers Limited (NFL) were invited long time back and no final decision has been taken on this so far. Instead of submitting the routine reply, the Department of Fertilisers should have interacted with the Ministry of Disinvestment to persuade them to review their earlier action and to implement the recommendation of this

Committee. The Committee reiterate their recommendation and urge the Department of Fertilisers as well as Ministry of Disinvestment to review their decision of sticking to the earlier expression of interests which has lapsed its validity and relevance. The Committee again recommend that either NFL should be handed over to KRIBHCO on nomination basis or fresh exercise of inviting expression of interest be undertaken regarding disinvestment in National Fertilisers Limited.

CHAPTER II

RECOMMENDATIONS WHICH HAVE BEEN ACCEPTED BY THE GOVERNMENT

Recommendation (Sl. No. 2, Para No. 20)

The Committee note that production targets both for Nitrogen (for first four years) and Phosphates (for last two years) during Ninth Plan period (1997-2002) have not been achieved by DoF. For Nitrogen is against the target of 106.82 lakh tonnes, 110.67 lakh tonnes, 112.14 lakh tonnes and 116.59 lakh tonnes (estimated) during 1998-99, 1999-2000, 2000-01 and 2001-02, the actual production was as low as 104.79 lakh tonnes, 108.90 lakh tonnes, 109.61 lakh tonnes and 108.02 lakh tonnes respectively. Similarly for Phosphate against the target of 39.93 lakh tonnes and 49.30 lakh tonnes during 2000-01 and 2001-02 the actual production was as low as 37.43 lakh tonnes and 39.45 lakh tonnes respectively. The Committee find that in the case of Nitrogen the reasons for not achieving that targets over the years were poor and inadequate supply of natural gas in gas based fertilizer plants of different PSUs and equipment problems in KRIBHCO, Hazira, SPIC Tuticorin, NFCL Kakinada, OCF Shahjahanpur plants. The Committee are glad to note that the Ministry of Petroleum & Natural Gas has already been approached by DoF for supply of good quality of gas to fertilizer plants and for also according highest priority in allocations of gas. Inspite of repeated pleadings, the fertilizer industry has not been able to procure adequate supply of quality gas. Non-availability of requisite quantity of gas has become a regular phenomenon. The Committee are aware that fertilizer industry is making efforts to look for other means to import or arrange gas. With the dismantling of APM in petroleum products, availability of these in the open market has become possible. The Committee recommend that Fertilizer PSUs should explore the possibility of procuring alternate feedstock than gas from the open market to achieve full capacity utilization.

Reply of the Government

One major reason in non-achievements of production targets by some gas based urea companies has been inadequate supply of natural gas, both in terms of quality and quantity. With the dwindling supply from domestic gas sources, GAIL is also unable to make adequate

supplies to urea companies. Therefore, gas based urea units are required to use alternate feed *i.e.* naphtha, for manufacture of urea. Naphtha, being a costlier feedstock, results in higher subsidy outgo. With the dismantling of Administered Price Mechanism (APM) w.e.f. 1.4.2002 for liquid petroleum products, urea companies are now required to deal directly with domestic oil companies for negotiating prices of naphtha, Fuel oil and LSHS. Department of Fertilizers has asked the Fertilizer Association of India, an apex organization of fertilizer companies, to evolve a strategy for bargaining best possible price for purchase of naphtha, FO/LSHS, from the oil companies, including examining the possibility of directly importing the requirement of liquid petroleum products.

[M/o Chemicals & Fertilizers, Department of Fertilizers OM No. 5(3)/2002-Fin.II dated 23.7.2002]

Recommendation (Sl. No. 6, Para No. 31)

About continuation of schemes of Ninth Plan (1997-2002) during Tenth Plan (2002-2007), the Committee have been informed that left over schemes are not automatically carried over to next plan period. Only those which have continued relevance would be provided outlays in the 10th Five Year Plan. The Committee desire that DoF should examine all these left over schemes on priority basis so that plan allocation for such schemes/projects be concretised.

Reply of the Government

The various schemes/projects to be taken up during 10th Five Year Plan accounting for a total outlay of Rs. 5900 crore have since been finalised. This also includes some schemes left over from the 9th Plan which have continued relevance during the 10th Plan period for which allocation has now been concretised.

[M/o Chemicals & Fertilizers, Department of Fertilizers OM No. 5(3)/2002-Fin.II dated 23.7.2002]

Recommendation (Sl. No. 8, Para No. 38)

The Committee are happy to find that in pursuance of the recommendations of Expenditure Reforms Commission, the DoF has been able to abolish 14 Group A&B posts in the Department as against the recommended figure of 29 posts. The Committee also hope that as assured by DoF more posts would soon be abolished during 2002-2003.

Reply of the Government

In addition to 14 posts of Group A & B categories abolished in the year-2001-02 against the 29 posts recommended by ERC, the Department has identified 3 more posts as 'surplus' under these categories. Department has also abolished 9 posts in Group 'C' & 'D' categories so far.

[M/o Chemicals & Fertilizers, Department of Fertilizers O.M. No. 5(3)/2002-Fin.II dated 23.7.2002]

Recommendation (Sl. No. 10, Para Nos. 47, 48)

The Committee note that reportedly large number of fraudulent claims of concessions for P&K and Single Super Phosphate (SSP) have been brought to attention of Govt. from the States of U.P., Bihar and Punjab. In the case of U.P. the DoF has informed that U.P. Govt. has already filed FIRs against 29 SSP units based on enquiry reports and 21 additional claims are under process. In case of Bihar on the report of alleged fraud of Rs. 162.13 crores on fraudulent claims, the Secretary, Fertilizers informed that in 11 districts the Director of Agriculture gave certificate about sale of phosphatic fertilisers to farmers without obtaining report from District Agriculture Officer, DoF has informed that the Central Govt. on February, 2000 had asked State Govt. to furnish factual position. The Govt. have decided to withhold further payment against final settlement of claims. State Government in turn has decided to refer the matter to CBI but the formal request from the former is awaited in DoF. In the case of complaints from Punjab the Committee find that State Vigilance Department had alleged involvement of some State officials in certification of bogus sales upto farmer level. Explaining further Secretary (Fertilisers) informed that SSP and DAP claims are often questioned. About SSP the Committee were informed that there are around 100 units all over the country who submit the distribution and claim concession.

The Committee feel that instead of tackling problems of individual States as and when these occur there is a need for uniform system for effectively checking the misuse of fraudulent claims of decontrolled fertilizers although according to DoF there is already a system of Technical Audit Inspection Cell (TAC). The Committee recommend the DOF should adopt an independent mechanism at central level to sample test the suppliers claims and those found defaulters should be strongly punished so as to leave demonstrative impact on others.

Reply of the Government

It appears that the position in respect of inquiry against SSP units in the State of Uttar Pradesh has not been reflected appropriately. DOF earlier, in a written note had informed that based on the inquiry reports, in respect of 29 units producing SSP in UP, submitted by the State Government and in consultation with Government of U.P. the DoF advised the State Govt. to file FIRs against the units. The processing of concession claims of 21 units is yet to be restored.

For assuring sale of quality fertilizers as per specifications laid down in Fertilizer Control Order (FCO), the State Governments being the agency for implementing provisions of FCO, are empowered to draw samples, analyse and report the quantum of failures to the Central Government in the proforma prescribed under the Concession Scheme for certification of sales to enable recovery/adjustments at the time of final settlement of claim against the 'On-account' payment of concession already drawn. Simultaneously, the concerned State authority has power to take action against the supplier/dealer as per provisions of FCO.

The DoF agrees with the recommendation of the Committee that there should be an independent mechanism at Central level to sample test the supplier claims. In this regard it is stated that the Technical Audit & Inspection Cell (TAC) which had earlier completed first time inspections of SSP units has now commenced the second phase entailing six monthly inspections of SSP units across the country. Apart from inspection of SSP units. TAC has also been authorised to conduct Techno-commercial audit and inspection of DAP and complex manufacturing units. Department of Fertilizers have also taken steps to computerise the information in respect of concession payment released to beneficiaries under the Scheme, which enables better monitoring and linkages with previous claims.

[M/o Chemicals & Fertilizers, Department of Fertilizers O.M. No. 5(3)/2002-Fin.II dated 23.7.2002]

Recommendation (Sl. No. 11, Para No. 52)

The matter relating to investors money being unnecessarily blocked for want of certification of sales by State Governments, was examined by the Committee last year also and the Committee had recommended expediting the payments of such money amounting to Rs. 795 crore

DoF has informed that from October, 2000 the scheme was transferred to DoF from Department of Agriculture and Cooperation (DOAC). Thus DoF was in receipt of claims worth Rs. 347.67 crore pre-receipted by DOAC. Out of this claims worth Rs. 179.75 crore have been settled and claims worth Rs. 167.92 crore are under process by Fertilisers Industries Coordination Committee (FICC). Besides, claims worth Rs. 139.10 crore have been settled by DOAC. Balance claims worth Rs. 308.23 crore are yet to be settled. The Committee recommend that DoF should lay down a time frame for setting claims and in the present case hope that DoF would expedite settlement of the pending claims worth Rs. 308.23 crore.

Reply of the Government

As against Rs. 308.23 crore pending for settlement for want of sales certificates in the prescribed proforma from the State Governments. Fertilizers Industry Coordination Committee (FICC) has already authorized the release of Rs. 131.16 crore to the manufacturers during the current financial year (2002-03). For the balance, Rs. 177.07 crore, FICC has received claims only for Rs. 35.09 crore which will be settled shortly. As regards remaining amount, the Department is pursuing with the State Governments for expeditious certification of sales so that the pending claims are finally settled by the Department/FICC.

[M/o Chemicals & Fertilizers, Department of Fertilizers O.M. No. 5(3)/2002-Fin.II dated 23.7.2002]

Recommendation (Sl. No. 17, Para No. 83)

On the matter of subsidy being given to manufacturing units for their inefficient production. The DoF has admitted that there is need for improvement in efficiency. In this process in order to check the misuse of subsidy Secretary (Fertilizers) revealed before the Committee that DoF has put a check on the unintended profits to the manufacturers by taking various steps such as reasssessment of capacities of such manufacturing units and by tightening of consumption norms. The DoF further informed that in this exercise revision of capacity of 16 units on interim basis resulted in saving of Rs. 461 crore per annum. Further recoveries from 4 more units are expected. DoF also informed that revised consumption norms on interim basis based on 1999-2000 levels or existing levels whichever is lower *w.e.f.* 1.4.2000 resulted in saving of about Rs. 769 crore per

annum. DOF has informed that with retrospective from 1.7.1997 further tightening is proposed. The Committee find that as a result of efficiency measures, in subsidy management Government could save a considerable amount. The Committee hope that these measures are not one time ad-hoc affair. The Committee recommend that there should be a regular institution to monitor the subsidy dispensation of manufacturers.

Reply of the Government

Subsidy disbursements to urea manufacturing units are regulated in accordance with policy parameters approved for a particular pricing period. The 6th/6th—A pricing period was valid upto 30.6.1997, and pending finalization of policy parameters beyond 1.7.1997, the subsidy payments to urea units were disbursed on ad hoc basis based on parameters approved for—6th/6th—A pricing period. As finalization of policy parameters for the period from 1.7.1997 was getting inordinately delayed, the Department had carried out interim reassessment of capacity and interim revision of consumption norms *w.e.f.* 1.4.2000. Now, the approval of policy parameters for the 7th Pricing Period (1.7.1997 to 31.3.2000) and 8th Pricing Period (1.4.2000 to 31.3.2003 or till new pricing policy comes into existence, whichever is earlier), all the norms/parameters have been updated and revised, to make the subsidy payments on realistic and rational bases. Future subsidy payments to urea units will continue to be made in accordance with these parameters until a new pricing policy is announced.

[M/o Chemicals & Fertilizers, Department of Fertilizers O.M. No. 5(3)/2002-Fin.II dated 23.7.2002]

Recommendation (Sl. No. 20, Para No. 96)

The Committee find that in fertilizer subsidy a major portion of subsidy goes towards cost of feedstocks like Naphtha fuel oil, LSHS used for production of fertilizers. As per Fertilizer Association of India estimates the increase in quantum of subsidy has been due to cost escalation of hydrocarbons which account for 79% of the total increase in subsidy between 1990-91 to 1999-2000. DoF informed the Committee that with the supply of feedstock to Urea units at import parity price *w.e.f.* 9th July, 2001 a saving of Rs. 500 crore is expected on this account. M/o Petroleum & Natural Gas has decided to dismantle Administered Price Mechanism (APM) *w.e.f.* 1st April, 2002 and has advised DoF to

ask the fertilizer units to deal with oil companies directly since the Ministry has minimum control on the issue. The Secretary (Fertilizers) apprehend that price of gas might go up in decontrolled scenario and admitted that there is lot of scope for negotiation on price of gas and a strategy is being contemplated with FAI. The Committee see the deregulated market of petroleum products both as challenge and opportunity for Fertilizer Industry. What is needed is professionalism. The Committee recommend that Fertilizer Industry should collectively take decisions and assert its bargaining power.

Reply of the Government

Administered Price Mechanism (APM) for petroleum products have been dismantled w.e.f. 1.4.2002. With the dismantling of APM, fertilizer companies are now required to deal directly with oil companies for negotiating the prices of naphtha. Fuel Oil and LSHS. Department has asked the Fertilizer Association of India, an apex organization of fertilizer companies, to work out a strategy for bargaining the best possible price for urea companies from oil companies. Such strategy would include the possibility of importing naphtha, Fuel Oil and LSHS directly, for keeping the pressure on domestic oil companies. Department of Fertilizers will continue to facilitate the fertilizer companies in the pursuit of procurement of their feedstock requirement at the best possible price.

[M/o Chemicals & Fertilizers, Department of Fertilizers, O.M. No. 5(3)/2002-Fin.II dated 23.7.2002]

Recommendation (Sl. No. 21, Para No. 97)

Another area which needs a clear policy is Liquefied Natural Gas (LNG). Since M/o. Petroleum & Natural Gas has setup facilities in Eastern and Western coast for catering the future demand, there is a need for coordination between M/o Petroleum & Natural Gas for firming up full demand of LNG for fertilizer sector. The Committee expect the DOF to be able to have proper coordination with M/o Petroleum & Natural Gas for firming up demand of LNG for fertilizer sector.

Reply of the Government

Department of Fertilizers is in close coordination with the Ministry of Petroleum & Natural Gas and Gas Authority of India Limited on the issue of LNG supply, development of infrastructure for storage, handling and distribution, and price of LNG to urea companies. A

Working Group on Re-gasified LNG, comprising of representatives from GAIL, FAI, some urea companies, DoF & FICC, has been constituted to focus on the following three issues *viz.*—

(a) Quantification of requirement of R-LNG for urea sector.

(b) Pricing of R-LNG.

(c) Detailed framework of agreement for supply of R-LNG.

[M/o Chemicals & Fertilizers, Department of Fertilizers, O.M. No. 5(3)/2002-Fin.II dated 23.7.2002]

Recommendation (Sl. No. 22, Para No. 102)

The Committee find that bio-fertilizers play a major role for soil fertility. They also find that use of bio-fertilizer has to be promoted in a big way. The Secretary (Fertilizers) has informed that DoF is very keen to going this direction. However, promotion of bio-fertilizer suffered a setback due to withdrawal of subsidy on it by different State Governments. The Secretary (Fertilizers) admitted that promotion of bio-fertilizer has to be prioritized. In this connection the Report on Working Group on long term use of bio-fertilizers will be examined with a view to have diversification of different PSUs into bio-fertilizers. About introduction of subsidy, the Secretary (Fertilizers) confessed before the Committee that there is a need for incorporating introduction of subsidy on bio-fertilizers in the Draft Long Term Policy under finalization at present. The Committee, therefore, recommend that subsidy on bio-fertilizers be introduced.

Reply of the Government

Recognizing the importance of bio-fertilizers as a cost-effective and eco-friendly source of plant nutrients, Government has been promoting the production of bio-fertilizers since the VIth Plan period. During the IXth Plan period, a non-recurring grant of Rs. 20/- lakh was being given by Government of India for setting up bio-fertilizer production units of an annual capacity of upto 150 tonnes. This capital grant brought down the cost of bio-fertilizer to Rs. 6 to 8 per packet of 200 grams, which is sufficient for 1 acre land.

For the Xth Plan period, a back-ended capital investment subsidy under the National Project On Organic Farming is proposed to further expanded the production capacity. Necessary approval of the competent authority is being sought for this purpose.

Further, the Long Term Fertilizer Policy, that is under finalization, will also address the issue of balanced use of fertilizers including promotion of bio-fertilizers.

[M/o Chemicals & Fertilizers, Department of Fertilizers, O.M. No. 5(3)/2002-Fin.II dated 23.7.2002]

Recommendations (Sl. No. 24, Para No. 115)

The Committee find that as against the Revised Estimate of Rs. 91 crore for 2001-2002 Rs. 218 crore have been proposed as Plan loans to PSUs for 2002-2003. Out of this Rs. 172 crore would be utilised for Namrup revamp of HFC and Rs. 9 crore for revival of FCI Sindri while the remaining amount is for other PSUs facing financial crunch. These PSUs are FACT (Rs. 19 crore), MFL (Rs. 15 crore) and PPL (Rs. 3 crore). About revamp of HFC Namrup the DOF has informed that it is under implementation w.e.f. 2.11.1998 and completion cost of project is Rs. 525.47 crore with completion date being 1.10.2002. DOF also has informed that Rs. 211.69 crore has been available to HFC. The Committee are dismayed to note that revamp of HFC Namrup has not only been delayed considerably but there is cost escalation also since the original target of completion of revamp was February, 2002 and completion cost of project was Rs. 509.40 crore. The Committee have been informed that 64.70% progress of revamp based on original schedule has been achieved. The Committee desire that DOF should make all out efforts for completion the revamp within the revised time schedule and without any further cost escalation.

Reply of the Government

The Namrup Revamp Project of HFC now segregated and formed into a new company named "Brahmaputra Valley Fertilizer Corporation Ltd." (BVFC) was due to be completed in February 2002 as per approved schedule. Although, the Namrup I & III plants of the unit have commenced production after completion of revamp w.e.f. 25.3.2002, the completion of revamp of the Namrup-II plants has been delayed by 8 months and is now expected to be completed in October 2002. The approved capital cost of the Namrup Revamp Project was Rs. 509.40 crore on constant cost basis and Rs. 525.47 crore on completion cost basis. The project has not reported any cost overrun over the approved costs so far. The implementation of this project is being monitored by the Department at frequent intervals and efforts would be made to avoid any further time or cost overrun.

[M/o Chemicals & Fertilizers, Department of Fertilizers, O.M. No. 5(3)/2002-Fin.II dated 23.7.2002]

CHAPTER III

RECOMMENDATIONS WHICH THE COMMITTEE DO NOT DESIRE TO PURSUE IN VIEW OF THE GOVERNMENT'S REPLIES

Recommendation (Sl. No. 3, Para No. 21)

As regards other reasons like equipment failure, power break down etc. responsible for non-achieving production targets, the Committee find that these are regularly monitored by DOF in Quarterly Review Meetings. The Committee feel that these problems are not being properly looked into by DOF since these problems have been figuring in 1998-99 and 1999-2000 both in PSUs and in private sector plants. The Committee desire that DOF should make all out efforts to stamp out these problems so that production is not hampered only because of these reasons.

Reply of the Government

In addition to the monitoring of production are breakdowns of all the PSUs/Cooperatives in the Quarterly Review Meetings, the Department of Fertilizers has started monitoring the major breakdowns on fortnightly basis. All PSUs and Cooperatives have also been advised that the incidence of major equipment failures, change in shutdown schedule, serious accidents/mishaps etc., should be immediately communicated to the Department to enable it to take prompt corrective action. Based on the reports received and the monitoring done by the Department, the concerned companies are advised to take remedial measures, if necessary by sending a team of technical experts from the Department and the industry to the site.

[M/o Chemicals & Fertilizers, Department of Fertilizers, O.M. No. 5(3)/2002-Fin.II dated 23.7.2002]

Recommendation (Sl. No. 4, Para No. 28)

The Committee find that finalisation of 10th Five Year Plan for the Department of Fertilizers has been delayed. Timely finalisation of plan and schemes under it is indication of sound planning and effective implementation resulting in cost effectiveness of projects. The Committee would like the Planning Commission to ensure finalisation of plan at the earliest and hope that DOF would starting implementing the schemes thereunder in time.

Reply of the Government

The finalisation of 5 year plans and fixing outlays for various schemes/projects by the Planning Commission was not delayed, though the communication of details of outlay formally by the Planning Commission to DOF was delayed. While the implementation of some of the schemes has commenced, implementation of some others would commence once the proposals are cleared/approved by the competent authorities based on the their techno-economic viability.

[M/o Chemicals & Fertilizers, Department of Fertilizers O.M. No. 5(3)/2002-Fin.II dated 23.7.2002]

Recommendation (Sl. No. 14, Para No. 67)

The Committee find that as against the revised estimate of Rs. 7370 crore for 2001-02 a provision of Rs. 6499 crore has been the post for fertilizer subsidy. Out of Rs. 6499 crore, an amount of Rs. 5675 crore has been provided for payment under Retention Price Scheme and another amount of Rs. 814 crore has been provided for freight subsidy. The Committee note that provisions for lowering the amount of subsidy to the tune of Rs. 871 crore is partially (about Rs. 460 crore) due to 5% upward revision in issue price of urea as per recommendations of the Expenditure Reform Commission. Whereas the balance of Rs. 411 crore is due to tightening of consumption norms and availability of liquid petroleum products like Naphtha, fuel oil and LSHS by Oil Companies to urea manufacturers based on import parity price. The Committee are constrained to note that the hike of 5% on the issue price of urea is not interim. DoF during the course of examination has informed that hike in price of urea would not have major impact on the affordability of urea to farmers including the marginal one. However, the Committee do not share the perception of the Government that price increase was not going to have major impact on affordability of farmers. The Committee, therefore, recommend that price hike should be withdrawn forthwith.

Reply of the Government

Government reiterates its view that hike of 5% in sale price of urea is not expected to have a significant impact on cost of cultivation. Prices of fertilizers have been revised as a part of general budget taking into account the fiscal sustainability also besides the balanced application of nutrients. Therefore, the hike in price of urea, which have been approved by the Parliament cannot be withdrawn.

[M/o Chemicals & Fertilizers, Department of Fertilizers O.M. No. 5(3)/2002-Fin.II dated 23.7.2002]

Recommendations (Sl. No. 15, Para No. 75)

The Committee feel that concept of fertiliser subsidy has to be viewed in the context of national priorities. In India, our economy is based on agriculture and this sector needs preferential treatment. The agriculturist has to be given his due remuneration if he has to sustain himself. For this he needs agricultural inputs at the rates which are within his reach. The Government is bound to provide him all this. It is said that the international price of urea is higher than the price in the country and the farmer is subsidized indirectly. However, the subsidy in India has to be compared with huge subsidies being given by developed countries. During the course of evidence Secretary (Fertilisers) opined before the Committee that ideal system would be that there should be uniform price for production as also for selling of urea and thereafter the Government should decide the subsidy to be given to farmers. The Committee feel that the farmers should be the direct beneficiary of subsidy but this concept has been debated time and again without concrete results. The Committee recommend that subsidy should not be viewed as a burden on exchequer and the existing level of subsidy should not be curtailed.

Reply of the Government

Government continues to provide subsidy on urea and concession on de-controlled phosphatic and potassic fertilizers with the objective of providing fertilizers to farmers at affordable prices. However, while providing fertilizers at affordable prices to farmers, Government has also to balance this objective with its fiscal capacity/sustainability.

[M/o Chemicals & Fertilizers, Department of Fertilizers O.M. No. 5(3)/2002-Fin.II dated 23.7.2002]

Recommendations (Sl. No. 16, Para No. 76)

On the second issue of subsidizing fertilizer at par with developed countries, the Secretary (Fertilizers) clarified that subsidy in Europe and US is not the subsidy on fertilizer along, but as per their agreement on agriculture in WTO. He, however, admitted that there is huge subsidy which is being disbursed by developed world for market support, infrastructure etc. However, subsidy in India on the contrary is not WTO related but is limited by Budget. 90% of subsidy is for resource poor. The Secretary (Fertilizers) opined that it is a larger issue and as such Ministry of Finance could possibly clarify the same. The

Committee have been informed that developed countries bring down the prices of primary commodities by giving subsidy and country like India is unable to export because of price competitiveness. The Committee would like the Government to perceive subsidy in the same manner as is being seen even in developed countries and adopt this perception as a matter of objective of the Department of Fertilizers.

Reply of the Government

Developed countries, being resource rich with smaller populations, provide subsidy on market support. Developed countries also provide subsidy to farmers not to grow a particular crop if they feel its produce will result in surplus of that commodity. Being rich countries, they can afford to provide subsidies of this kind. In India, the subsidy on fertilizers is provided with the objective of making available fertilizers at affordable and reasonable prices to farmers. Government of India is aware of its responsibilities to agriculture sector and keeping that in mind, it provides subsidy on urea and concession on de-controlled phosphatic and potassic fertilizers.

[M/o Chemicals & Fertilizers, Department of Fertilizers O.M. No. 5(3)/2002-Fin.II dated 23.7.2002]

CHAPTER IV

RECOMMENDATIONS IN RESPECT OF WHICH REPLIES OF THE GOVERNMENT HAVE NOT BEEN ACCEPTED BY THE COMMITTEE

Recommendation (Sl. No. 1, Para Nos. 16 & 17)

The Committee are not convinced with the explanation regarding non-utilisation of Planned Outlay during 9th Plan (1997-2002). The Committee find that out of the approved Plan Outlay of Rs. 11013 crore, the actual plan expenditure was a meagre Rs. 3549.04 crore. This was 32.22% of the entire approved outlay. DOF has hoped that plan expenditure might pick up marginally during the remaining part of the Plan when some expenditure on Namrup Revamp and Indo-Oman Projects may be made. Delay in implementation of revival packages of Namrup Unit of HFC and delay in finalisation of four mega projects with an allocation estimated at Rs. 5922 crore were the reasons cited by DoF for non-utilisation of Plan Outlay. Secretary (Fertilizers) has cited two reasons for non-utilisation of Plan Outlay during Ninth Plan period *viz.* non-materialisation of projected demand and unwillingness of PSUs to set up capacities on costlier feedstock like Naphtha as cheaper feedstock like natural gas was not available. Besides, there was no clear cut policy on LNG, the future feedstock for fertilizer. Secretary (Fertilizers) hoped that possibly Hazira project of KRIBHCO with Plan Outlay of Rs. 1103 crore may materialize during 10th Plan on the basis of their decision on LNG availability.

The Committee take note of the assertions made by DOF that targets set in the Planned Outlays are revised periodically at the time of finalisation of annual plan outlays, considering the actual trends of growth and development in the sector in previous years. But it is seen in the present case that even after revising outlay to Rs. 5145.70 crore, the actual utilization was Rs. 3549.04 crore (upto December, 2001). The Committee recommend that Department should set up a monitoring and evaluation cell to conduct a comprehensive review of Plan performance as per the guidelines of the Planning Commission.

Reply of the Government

The total actual utilisation of the 9th Plan outlay amounted to Rs. 3724.71 crore at the end of the plan period against the total revised outlay of Rs. 5145.70 crore. The utilisation of plan funds anticipated by the end of 2001-02 mainly on the proposed Indo-Oman Project did not materialise, as financial close of the joint venture project expected by end of March 2002 could not be achieved. The progress of utilisation of plan outlay during the 10th plan period is being monitored by the Department periodically and evaluated in the quarterly review meetings of the respective PSUs and cooperative societies held from time to time.

[M/o Chemicals & Fertilizers, Department of Fertilizers O.M. No. 5(3)/2002-Fin.II, dated 23.7.2002]

Comments of the Committee

(Please *See* Paragraph 8 of Chapter I of the Report)

Recommendations (Sl. No. 9, Para No. 42)

The Committee find that as against the revised estimate of Rs. 45.15 crore of last year a provision of Rs. 4224 crore has been proposed for payment of indigenous as well as imported decontrolled fertilisers. Department of Fertilisers has informed that 5% revision in issue price of DAP and MOP and reduction in subsidy for SSP by Rs. 50 per tonne has been the reason for lowering the amount of payment of concession over the previous year. According to DOF the 5% hike in price of these would have a marginal impact on the NPK ratio. The Committee find that as against the ideal ratio of 4:2:1 of N:P:K the present (available during 1999-2000) ratio is 6:9:2.9:1. The Committee find that above 5% hike in price of DAP and MOP has increased the per tonne price from Rs. 8300 to Rs. 9350 for DAP and from Rs. 4255 to Rs. 4455 for MOP. The Committee feel that in view of the already distorted NPK ratio the present hike in price will further affect the NPK ratio considerably. The Committee therefore feel that in order to bring NPK ratio to 4:2:1 DOF should make all out efforts for promotion of fertilisers among the farmers rather than resorting to hike in price of P&K fertilisers.

Reply of the Government

The decision for increase in prices of decontrolled phosphatic and potassic (P&K) fertilizers has been taken by Government of India for correcting fiscal imbalance through overall reduction in Government subsidy outgo. The consumption trends of fertilizers in the country, depends to a large extent on the weather conditions specially the timely onset of monsoon, extent and distribution of rainfall, cropping pattern as various crops have different nutrient requirement and fertility status of the soils. In view of this, the nutrient ratio in the recommended doses varies from region to region. The NPK consumption ratio, which was 5:9:2:4:1 during 1991-92, got distorted to 9:5:3:2.1 due to steep increase in prices of P&K fertilisers after decontrol of phosphatic and potassic fertilizers and simultaneous decrease in the price of urea during year 1992. However, due to various steps taken by Government to promote balanced use of fertilisers including price support to decontrolled fertilisers like P&K, the NPK consumption ratio has been narrowing down over the years and came down to estimated 6:4:2:6:1 during 2001-02. Therefore, if seems too early to deduce that increase in price of decontrolled P&K fertilizers would inevitably have perceptible adverse impact on NPK ratio.

It may further be supplemented that having realised the importance of balanced and integrated use of nutrients for sustainable agriculture, the Government of India has adopted policy measures and schemes, which ensure adequate availability of quality fertilisers at reasonable prices to farmers, soil test based judicious and balanced use of chemical fertilisers and micro nutrients, organic manures and bio-fertilisers. Further recognizing the importance of nutrient sources other than chemical fertilisers, the Government through various schemes is promoting production and use of organic manures like Farm Yard Manure (FYM), rural and urban waste compost. Green manuring and bio-fertilisers, not only to provide the nutrients but also to provide soil organic matter and improve soil health and soil productivity. A new scheme for promoting use of organic manure and organic farming has been formulated during Xth Five Year Plan. This scheme lays special emphasis on augmenting the production of all types of organic manures including vermicompost, press mud, bio-fertilisers and its extension, promotion and uses.

[M/o Chemicals & Fertilizers, Department of Fertilizers O.M. No. 5(3)/2002-Fin.II, dated 23.7.2002]

Comments of the Committee

(Please *see* Paragraph 11 of Chapter I of the Report)

Recommendation (Sl. No. 12, Para No. 56)

The Committee note that a provision of Rs. 948 crore has been proposed for 2002-2003 for import of 10 lakh tonnes of urea. During the course of examination, Secretary (Fertilizers) informed that this figure was based on last year's preliminary estimates. It takes into account the likely import to be resorted to increase of huge demand increase. The Secretary (Fertilizers), however, assured the Committee that in the event of increase of huge demand of urea, the demand would be monitored and there would be 100% utilization of domestic manufacturing before resorting to imports. The Committee feel that there is ample scope of increasing capacity utilisation of indigenous urea industry and any provision for import of urea is uncalled for. In Committee's opinion there should not be any budgetary provision for import of urea. In the present case, the Committee, however, hope that Government would utilise the domestic production of urea in full and resort to imports only in the event of urgent need.

Reply of the Government

The country's installed capacity of 208.5 lakh MT of urea has since been revised to 210.82 lakh MT for the year 2002-03. Inspite of upward revision of installed capacity, the production of urea during 2002-03 is estimated to be around 200 lakh MT (97 lakh MT in Kharif and 103.20 lakh MT in Rabi 2002-03) mainly on account of shortfall in production from many urea units like Namrup unit of Hindustan Fertilizers Corporation (HFC). Sindri unit of Fertilizers Corporation of India (FCI). Duncan Industries Limited (DIL), and Neyveli Lignite Corporation (NLC). This shortfall is due to equipment related problems and shortage of gas.

The position of demand and production of urea in the country during 2002-03 is being closely monitored by this Department. Import of urea would be resorted to depending on the estimated indigenous production and projected sales and only after utilising the indigenous production capacity of urea units.

[M/o Chemicals & Fertilizers, Department of Fertilizers O.M. No. 5(3)/2002-Fin.II, dated 23.7.2002]

Comments of the Committee

(Please *see* Paragraph 14 of Chapter I of the Report)

Recommendation (Sl. No. 13, Para No. 66)

The Committee find that reply of the Department regarding assured return to manufacturers as vague and rhetoric. It is reported that urea manufacturing units are not getting assured return with the result that they have started incurring losses. The Committee would like the Department to identify the reasons for their losses and ensure that these are not due to faulty implementation of retention price-cum-subsidy scheme. For this purpose, the Committee recommends that the Department should constitute a Study Group comprising representatives from urea manufacturers and Department of Fertilizers.

Reply of the Government

Retention prices (normative cost of production plus 12% post tax return on net worth) of urea for pricing period under Retention Price Scheme (RPS) units are determined on the basis of approved parameters. Some units may not be able to make profits intended under the scheme if they do not operate within the norms prescribed. Other important factor for erosion in profitability of urea units is levy of non-recoverable taxes (the taxes which are not passed on to the consumers) on urea and inputs used in the manufacture of urea. Government of India does not recognize the non-recoverable taxes as it would encourage the State Governments to levy more such taxes at the expense of the Central Government. However, Department of Fertilizer is examining a proposal for finding ways and means to compensate the urea manufacturers for the losses suffered by them on account of non-recoverable taxes. One more reason eating into profits of urea companies is the internecine practices of unduly high discounts being offered by urea companies to dealers and farmers.

[M/o Chemicals & Fertilizers, Department of Fertilizers O.M. No. 5(3)/2002-Fin.II, dated 23.7.2002]

Comments of the Committee

(Please *see* Paragraph 17 of Chapter I of the Report)

Recommendation (Sl. No. 26, Para No. 135)

The Committee note that four companies *viz.*, NFL, MFL, FACT and RCF are slated for disinvestment, out of which NFL and MFL are included in the first phase. In view of this, their outlays and projects have been restricted. The Committee find that during 10th Plan period

(2002-07) outlay for Rs. 160 crore for NFL, Rs. 48 crore for MFL, Rs. 52 crore for PPL, Rs. 400 crore for FACT and Rs. 1900 crore for RCF have been earmarked. Similarly during Annual Plan 2002-03, Rs. 35 crore for NFL, Rs. 17.50 crore for MFL, Rs. 6 crore for PPL, Rs. 19 crore for FACT and Rs. 125 crore for RCF have been provided. DOF has informed that their outlays will be reconsidered after two years in case these companies are not disinvested till then. Explaining the rationale of such huge allocation, the DOF has informed the Committee that these are subject to review from time to time based on progress of disinvestment in these companies. The desirability of taking up new long term projects by these companies in such circumstances will also be taken into account during this review. If disinvestment of RCF, NFL, FACT and MFL is completed during 2002-03 the utilisation of the outlay would be left with new management and in that case budgetary support to finance their outlay from Government would be discontinued thereafter. Otherwise, the outlay would be utilised in normal course. On the issue of transparency in disinvestment process the Secretary (Fertilisers) clarified that it was being done based on set guidelines and the process is completed after inter-Ministerial interaction. The Committee are not in favour of disinvestment of profit making fertiliser making PSUs and would like the Government to review their policy in this regard.

Reply of the Government

The Disinvestment Commission has categorised the fertilizer PSUs as "non-core" and has recommended their disinvestment. Accordingly, part of Government's equity in these PSUs is being disinvestment as per the Government's policy to bring down its equity in all non-strategic PSUs to 26% or lower.

[M/o Chemicals & Fertilizers, Department of Fertilizers O.M. No. 5(3)/2002-Fin.II dated 23.7.2002]

Comments of the Committee

(Please *see* Paragraph 28 of Chapter I of the Report)

Recommendations (Sl. No. 28, Para No. 137)

National Fertilisers Limited (NFL) has recently invested an amount of Rs. 135.13 crore to revamp its Nangal plant. This PSU has three plants in Haryana and Punjab and is catering satisfactorily the urea needs of the peasantry in these areas. The disinvestments in this PSU

has direct bearing on the timely availability of urea in this area. In Committee's view NFL's operations in Punjab and Haryana are of strategic nature. Any disinvestment in NFL may harm the interests of agriculturists in his belt of Northern India. The Committee recommend that instead of making disinvestment in NFL, the company should be merged or handed over to KRIBHCO on nomination basis. In his way the Government's objective shall be achieved and KRIBHCO's surplus cash resource would be utilised.

Reply of the Government

The fertiliser PSUs have been categorised as "non-core" by the Disinvestment Commission. Accordingly, part of Government's equity in these PSUs is being disinvested as per Government's policy to bring down equity in all non-strategic PSUs to 26% or lower. Inspite of disinvestment in these PSUs, the Government is committed to timely supply of fertilisers to the farmers in all parts of the country. As per the laid down procedure, expression of interest were invited through an open process. KRIBHCO did not express interest within the stipulated time.

[M/o Chemicals & Fertilizers, Department of Fertilizers O.M. No. 5(3)/2002-Fin.II dated 23.7.2002]

Comments of the Committee

(Please *see* Paragraph 31 of Chapter I of the Report)

CHAPTER V

RECOMMENDATIONS IN RESPECT OF WHICH FINAL REPLIES OF THE GOVERNMENT ARE STILL AWAITED

Recommendations (Sl. No. 5, Para No. 29 & 30)

The Committee find that DOF's goals for Tenth Plan (2002-2007) are phased decontrol of fertilizer industry, establishment of sustainable pricing policy for controlled and decontrolled fertilizers, dealing with closure and sickness on non-viable units and preparing the industry to face challenges of global competition. For achievement of these goals the DOF has prepared a Draft Policy which needs to be discussed with Planning Commission, Ministry of Agriculture and State Governments for the purpose of demand of different fertilizers during the 10th Plan periods.

The Committee specifically take note of objectiveness of 10th Plan *viz.* phased decontrol of fertilizer industry and sustainable pricing policy. The Committee caution the Government with their objective of phased decontrol of industry as it has vast implications for Indian economy especially in agricultural sector. The Committee recommend that the Government should have wider consultations with States, agriculturists and other concerned agencies before initiating any step in this regard.

Reply of the Government

Government is at present in the process of formulating a new pricing policy for urea units keeping in view the recommendations of Expenditure Reforms commission for replacing the existing Retention Price Scheme and a phased movement for total decontrol. The recommendations of ERC have been examined in consultation with the State Governments, fertilizer industry and concerned Ministries/ Departments. Suggestions from some economists have also been received in this regard. The Cabinet Committee on Economic Affairs had constituted a Group of Ministers/(GOM) headed by Shri K.C. Pant, Deputy Chairman, Planning Commission, to examine, *inter alia*, ERC report also and give its recommendations. The issue of new pricing policy keeping in view ERC recommendations is at present under consideration of GOM.

[M/o Chemicals & Fertilizers, Department of Fertilizers O.M. No. 5(3)/2002-Fin.II dated 23.7.2002]

Recommendations (Sl. No. 7, Para No. 35)

The Committee find that an outlay of Rs. 899 crore has been provided for DOF Annual Plan 2002-2003. Out of this Rs. 781 crore has been earmarked for IFFCO (Rs. 276 crore), HFC (Rs. 200 crore), KRIBHCO (Rs. 180 crore) and RCF (Rs. 125 crore). The Committee have been informed that final investment appraisal/approval for new schemes would be carried out during the year and for HFC Namrup no further approval is needed. The Plan Outlay for IFFCO and KRIBHCO is meant for Indo-Oman Fertilizer Project. About other allocation for RCF (Rs. 125 crore), NFL (Rs. 35 crore), FACT (Rs. 19 crore) and MFL (Rs. 17.50 crore) the Committee have been informed that in the event of disinvestment the utilization of outlay would be left to new management and budget support would be discontinued further. The Committee hope that DOF would soon obtain final investment approval on the different schemes for the Annual Plan 2002-2003 after getting clear picture from Deptt. of Disinvestment.

Reply of the Government

For those schemes/projects provided outlay in the annual plan 2002-03 which are continuing schemes/projects already approved by the competent authority earlier, the process of utilisation of the outlay has commenced. In respect of other schemes/projects, to be taken up for implementation, efforts are being made to expedite the process of approval of schemes/projects which require Government approval, so that the annual plan outlay for the year 2002-03 can be utilised as per set targets. The progress of disinvestment process in respect of RCF, NFL, FACT and MFL would also be taken into account while projects/ schemes of these companies come up for investment appraisal/approval of the Government.

[M/o Chemicals & Fertilizers, Department of Fertilizers O.M. No. 5(3)/2002-Fin.II dated 23.7.2002]

Recommendations (Sl. No. 18, Para No. 84)

As regards payment of Rs. 1020 crore of IFFCO to be paid by FICC the DOF has informed that payment of Rs. 100 crore on account of review of salary and wages from 1.1.97 to 30.6.01 is being made by FICC. Other claims of Rs. 47 crore for cost escalation of Phulpur II are under process and claims of Rs. 137 crore for small percentage of retention prices withheld in respect of Expansion Projects of Aonla.

Kalol and Phulpur have been approved by FICC. Claims on account of sales tax from 1991-92, 2000-01 purchase tax are not admissible. The Committee have been informed that remaining claims would be decided as soon as the policy parameters for 7th and 8th pricing policy are decided. The Committee would like the Government would be able to announce these policy parameters soon so that ad-hocism prevailing in fertilizer sector is done away with once for all. This Committee feel that this would lessen the scope of any complaint of non-payment of dues by FICC.

Reply of the Government

The policy parameters for 7th and 8th pricing periods have been approved by the competent authority on 16.5.2002. Office of Fertilizer Industry Coordination Committee (FICC) has been communicated the decision of CCEA to work out the revised retention prices of urea units. Computation of required retention prices is in advanced stage and would soon be completed. After finalization and notification of revised retention prices, requisite payments or recoveries, as the case may be, will be made in respect of the various urea units.

[M/o Chemicals & Fertilizers, Department of Fertilizers O.M. No. 5(3)/2002-Fin.II dated 23.7.2002]

Recommendation (Sl. No. 19, Para No. 91)

The Committee are constrained to note that DoF has still not been able to finalise its much awaited long terms Fertilizer Policy. They find that this has been the major reason for absence of investment in fertilizer sector. The DoF has informed that Draft Policy was already under discussion for quite long time among farmers organizations, different State Governments and various interest groups and that pending completion of discussion the Government is getting approval of competent authority on issues like new pricing policy of urea units and feedstock availability. The DoF has further informed that Group of Ministers (GoM) has been constituted to examine the policy parameters for VII and VIII pricing period and further action would depend on GoM's recommendation. The Committee regret to observe that most important issue of finalising pricing policy has not been taken by DoF in all seriousness over the last couple of years since 1997 onwards. The Committee recommend that Government should soon clear the proposed policy based on GoM's recommendations.

Reply of the Government

Policy parameters for 7th and 8th pricing periods, formulated on the basis of recommendations of Group of Ministers (GoM), have already been approved by the competent authority on 16.5.2002. The 7th pricing period will cover the period from 1.7.1997 to 31.3.2000 whereas the 8th pricing period will cover the period from 1.4.2000 to 31.3.2003 or till new pricing policy comes into existence, whichever is earlier.

The issue of formulation of new pricing policy for urea units keeping in view the recommendations of Expenditure Reforms Commission for replacing the existing Retention Price Scheme is at present under consideration of GoM. Further action for obtaining the approval of competent authority would be taken after GoM finalizes its recommendation on new pricing policy for urea units.

[M/o Chemicals & Fertilizers, Department of Fertilizers O.M. No. 5(3)/2002-Fin.II dated 23.7.2002]

Comments of the Committee

(Please *see* Para 20 of Chapter I of the Report)

Recommendation (Sl. No. 23, Para No. 108)

The Committee find that as against the amount of Rs. 97.50 crore for 2001-2002, a provision of Rs. 40.60 crore has been made for 2002-2003 investment in PSUs under DoF. Out of this Rs. 28 crore has been for capital outlay for North-East and Rs. 12.60 crore for investment in PSUs. The Committee have been informed that out of 12.60 crore a sum of Rs. 9 crore has been proposal for renewal of Sindri and Rs. 3 crore is proposed for PPL. While in regard to the Rs. 3 crore for PPL, DoF has informed that it would not be utilised as the company stands disinvested, the Committee trust that FCI would be able to utilise the Rs. 9 crore earmarked for the renewal of Sindri Plant.

Reply of the Government

Currently, the Sindri unit of FCI is shutdown and utilisation of the outlay during the year 2002-03 on renewal and replacements of this unit would depend on restarting operations of the unit based on its techno-economic ability to sustain operations.

[M/o Chemicals & Fertilizers, Department of Fertilizers O.M. No. 5(3)/2002-Fin.II dated 23.7.2002]

Recommendation (Sl. No. 25, Para No. 123)

The Committee find that as against last year's amount of Rs. 360 crore for non-plan loans to PSUs, Rs. 250 crore has been provided for 2002-2003 for meeting the salaries requirements of FCI, HFC, PPCL and PDIL pending their revival. Production in various sick units of PSUs has been discontinued for a variety of reasons. The DoF has informed the Committee last year that revival packages for these four PSUs have been finalised and are under submission to BIFR. The Committee have now been informed that these proposals were considered by the Government on 31.5.2001 and Group of Ministers has been constituted to examine these proposals and submit its report within two months. GoM had held three sittings on 6.9.2001, 21.11.2001 and 6.3.2002 and have sought some additional information. Thus no final decision in the matter has so far been taken. In this connection Secretary (Fertilisers) informed the Committee that directions from BIFR are for early decision about their fate that is closure of these units. The Committee are in favour of making these PSUs economically viable and would like the Government to make concerted efforts in this direction. The committee are not in favour of closing down these units as there is no Public Sector or Private Sector urea producing units in West Bengal, Jharkhand, Bihar and Orissa. In the event of closure of these units, urea availability in these areas would be Nil with the result that farmers would have to depend upon the supply of urea from other zones say North-Eastern or Western zone which would entail avoidable cost. The Government are contemplating the withdrawal of ECA allocation system and in that eventuality timely availability of urea cannot be ensured. Apart from this factor, the Committee would like to stress the need for providing more and more industries in Eastern zone as this area needs economic development. The Committee, therefore, are strongly in favour of not only reviving economically viable units which would serve twin purpose, one of assuring timely availability and second of industrialisation which means employment.

Reply of the Government

The rehabilitation/restructuring proposals of the sick fertilizer PSUs, *viz.* HFC, FCI, PDIL and PPCL, based on unit-wise techno-economic viability, are under examination by the Group of Ministers (GoM) specifically constituted for the purpose. The GoM has held its three meetings on 6.9.2001, 21.11.2002 and 6.3.2002 and the next meeting is

expected to be held shortly. The revival of these PSUs will depend on the decision of the competent authority based on the recommendations of the GoM.

[M/o Chemicals & Fertilizers, Department of Fertilizers O.M. No. 5(3)/2002-Fin.II dated 23.7.2002]

Comments of the Committee

Please *see* Para No. 25 of Chapter I.

Recommendation (Sl. No. 27, Para No. 136)

On the issue of possible loss to Government by way of losing assured return guaranteed under the present scheme, if these PSUs are disinvested in favour of private sector, the Secretary (Fertilisers) informed that this point would largely depend on implementation of recommendations of Expenditure Reform Commission. If these recommendations are implemented the guaranteed return would not be available. The subsidy would be available on group parameters. In view of the above, the Committee expect the DoF to soon finalise a clear view on implementation of ERC recommendations on disinvestment.

Reply of the Government

Formulation of new pricing policy for urea units for replacing the existing unit specific Retention Price Scheme is presently under consideration of Group of Ministers. The proposed new pricing policy is being formulated keeping in view the recommendations of Expenditure Reforms Commission (ERC). The proposed policy will be in the shape of Group Concession Scheme aiming at uniformity and transparency in subsidy disbursements to urea units. The proposed Scheme, as and when approved by the competent authority, will apply equally to all urea units, whether they are in public sector, cooperative sector or private sector including the fertilizer PSUs which are slated for disinvestment.

[M/o Chemicals & Fertilizers, Department of Fertilizers O.M. No. 5(3)/2002-Fin.II dated 23.7.2002]

NEW DELHI;
19 *December*, 2002
28 *Agrahayana*, 1924 *(Saka)*

MULAYAM SINGH YADAV,
Chairman,
Standing Committee on
Petroleum & Chemicals.

APPENDIX I

MINUTES

SUB-COMMITTEE ON FERTILISERS

A SUB-COMMITTEE OF STANDING COMMITTEE ON PETROLEUM AND CHEMICALS (2002)

Fourth Sitting
(18.10.2002)

The Sub-Committee met from 1500 hrs. to 1600 hrs.

PRESENT

Dr. Debendra Pradhan—*Convenor*

MEMBERS

Lok Sabha

2. Shri Ram Chander Bainda
3. Shri Anand Mohan Biswas
4. Prof. Kailasho Devi
5. Shri Dilipkumar Mansukhlal Gandhi
6. Dr. Chhatrapal Singh

Rajya Sabha

7. Shri Shyam Lal
8. Shri Thanga Tamilselvan

SECRETARIAT

1. Shri P.K. Grover — *Director*
2. Shri J.N. Oberoi — *Under Secretary*

At the outset, Convenor, Sub-Committee on Fertilisers welcomed the Members to the sitting of the Sub-Committee.

2. Thereafter, the Sub-Committee considered and adopted the Draft Action Taken Report on action taken by the Government on the recommendations contained in the Twenty-Sixth Report (Thirteenth Lok Sabha) of the Standing Committee on Petroleum and Chemicals (2002) on Demands for Grants of Ministry of Chemicals and Fertilisers, Department of Fertilisers for 2002-2003.

3. The Sub-Committee authorised the Convenor to finalise the Report and submit this to the Chairman for consideration by the Standing Committee on Petroleum and Chemicals.

The Sub-Committee then adjourned.

APPENDIX II

MINUTES

STANDING COMMITTEE ON PETROLEUM AND CHEMICALS
(2002)

Thirteenth Sitting
(19.12.2002)

The Committee sat from 1030 hrs. to 1100 hrs.

PRESENT

Shri Mulayam Singh Yadav — *Chairman*

MEMBERS

Lok Sabha

2. Shri Ashok Argal
3. Dr. Chellamella Suguna Kumari
4. Shri P.D. Elangovan
5. Shri Dilipkumar Mansukhlal Gandhi
6. Smt. Sheela Gautam
7. Shri P. Mohan
8. Dr. Debendra Pradhan
9. Shri Mohan Rawale
10. Shri Shyama Charan Shukla
11. Dr. Chhatrapal Singh
12. Shri Ramjiwan Singh
13. Dr. Girija Vyas
14. Shri Bijoy Handique

Rajya Sabha

15. Shri Balkavi Bairagi
16. Shri Rajiv Ranjan Singh 'Lalan'
17. Shri Dipankar Mukherjee

SECRETARIAT

1.	Shri P.K. Grover	*Director*
2.	Shri R.K. Saxena	*Under Secretary*
3.	Shri Ram Raj Rai	*Assistant Director*

2. At the outset, Hon'ble Chairman welcomed the Members to the sitting and explained the purpose of the day's meeting.

3. Thereafter, he invited the Members to give their suggestions, if any, on the following draft Reports being considered for adoption:—

(i) ** ** ** ** ** **

(ii) Thirty-Fourth Report on action taken by Government on the recommendations contained in the Twenty-Sixth Report (13th Lok Sabha) of the Standing Committee on Petroleum & Chemicals (2002) on 'Demands for Grants 2002-2003 of Ministry of Chemicals & Fertilisers, Department of Fertilisers;

(iii) ** **

(iv) ** ** ** **

(v) ** **

(vi) ** **

4. After some consideration, the Committee adopted the Reports subject to minor modifications in 35th Report.

5. The Committee, thereafter, authorised the Chairman to finalise the Reports after factual verification from the concerned Ministries/ Departments and present them to the Parliament.

6. The Committee placed on record their appreciation of the work done by all the Sub-Committees of the Standing Committee on Petroleum & Chemicals.

7. The Committee also placed on record their appreciation for the valuable assistance rendered to them by the officials of the Lok Sabha Secretariat attached to the Committee.

The Committee then adjourned

**Matter not related to this Report

APPENDIX III

(*Vide* para 4 of the Introduction)

ANALYSIS OF THE ACTION TAKEN BY GOVERNMENT ON THE RECOMMENDATIONS CONTAINED IN THE TWENTY-SIXTH REPORT (THIRTEENTH LOK SABHA) OF THE STANDING COMMITTEE ON PETROLEUM & CHEMICALS (2002) ON 'DEMANDS FOR GRANTS—2002-2003 RELATING TO MINISTRY OF CHEMICALS & FERTILISERS, DEPARTMENT OF CHEMICALS & FERTILISERS'.

I.	Total No. of Recommendations	28
II.	Recommendations which have been accepted by the Government	10
	(*Vide* Recommendation at Sl. Nos. 2, 6, 8, 10, 11, 17, 20, 21, 22 and 24)	
	Percentage to Total	35.71%
III.	Recommendations which the Committee do not desire to pursue in view of Government's Reply	5
	(*Vide* Recommendations at Sl. Nos. 3, 4, 14, 15 and 16)	
	Percentage to Total	17.86%
IV.	Recommendations in respect of which replies of the Government have not been accepted by the Committee	6
	(*Vide* Recommendation at Sl. Nos. 1, 9, 12, 13, 26 and 28)	
	Percentage to Total	21.43%
V.	Recommendations in respect of which final replies of the Government are still awaited.	7
	(*Vide* Recommendations at Sl. Nos. 5, 7, 18, 19, 23, 25 and 27)	
	Percentage to Total	25%